

CLEVELAND PUBLIC LIBRARY
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CORPORATION FILE

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Annual Report 1971



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CORPORATE DATA

EXECUTIVE OFFICES: 277 Park Avenue, New York, N.Y. 10017

COMMON STOCK DATA: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N.Y. 10015; Registrar, Bankers Trust Company, 16 Wall Street, New York, N.Y. 10015; stock listed on the New York Stock Exchange.

PREFERRED STOCK DATA—SERIES B: Transfer and Dividend Disbursing Agent, First National City Bank, 111 Wall Street, New York, N.Y. 10015

ANNUAL MEETING OF SHAREHOLDERS: The Annual Meeting will be held on April 19, 1972, beginning at 11:00 A.M., in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

This Annual Report was designed by John Zook Studio and printed by The William Feather Company using Borden Cilco printing inks.

Highlights 1971

	1971	1970	% Change
Net sales	\$2,069,667,000	\$1,832,202,000	+ 13.0
Net income	60,533,000	53,681,000	+ 12.8
Net income per common share and equivalent	2.00	1.83	+ 9.3
Dividends per share—Common stock	1.20	1.20	
—Preferred stock Series A60		
—Preferred stock Series B78		
Total dividends	35,725,000	35,010,000	+ 2.0
Cash flow (net income plus depreciation)	102,925,000	92,405,000	+ 11.4
Capital expenditures	57,987,000	60,332,000	— 3.9
Working capital	360,788,000	326,224,000	+ 10.6
Current ratio	2.4:1	2.3:1	
Shareholders' equity	696,702,000	653,524,000	+ 6.6
Equity per common share at year end	22.94	22.17	+ 3.5
Outstanding common shares at year end	29,090,000	29,048,000	+ .1
Number of common shareholders at year end	70,916	71,886	
Average number of employees	48,000	45,900	

BOARD OF DIRECTORS

COURTNEY C. BROWN
*Dean Emeritus
Graduate School of Business
Columbia University*

JAMES D. FINLEY
*Chairman and Chief Executive
Officer
J. P. Stevens & Co., Inc.*

SHELTON FISHER
*President and Chief Executive
Officer
McGraw-Hill, Inc.*

J. FRANK FORSTER
*Chairman and Chief Executive
Officer
Sperry Rand Corporation*

AUGUSTINE R. MARUSI
Chairman and President

BERNARD NEMTZOW
*Vice President—General Counsel
and Secretary*

WALTER R. OLMSTEAD
Executive Vice President

WILLIAM S. RENCHARD
*Chairman and Chief Executive
Officer—Chemical New York Corp.
and Chemical Bank*

W. THOMAS RICE
*Chairman and Chief Executive
Officer
Seaboard Coast Line Industries, Inc.*

E. R. ROWLEY
*Chairman and Chief Executive
Officer
N L Industries, Inc.*

EUGENE J. SULLIVAN
Executive Vice President

HOWARD H. WARD
Vice President-Finance

WILLIAM K. WESTWATER
*President
W. K. Westwater Company*

LAWRENCE A. WIEN
*Senior member of law firm
Wien, Lane & Malkin*

DIRECTORS EMERITI

HAROLD W. COMFORT
Former President

ROY D. WOOSTER
Former Chairman



Members of the Office of the President, from left: Augustine R. Marusi, Chairman and President; Howard H. Ward, Vice President-Finance; Walter R. Olmstead, Executive Vice President, and Eugene J. Sullivan, Executive Vice President.

OFFICERS

AUGUSTINE R. MARUSI
Chairman and President

WALTER R. OLMSTEAD
Executive Vice President

EUGENE J. SULLIVAN
Executive Vice President

FRED J. BOARD
Vice President-Personnel

MAX A. MINNIG
Vice President-Chemical Division

THEODORE G. MONTAGUE, Jr.
*Vice President-Foods Division:
New Ventures Group*

BERNARD NEMTZOW
*Vice President-General Counsel
and Secretary*

JOHN B. NIMONS
Vice President-Purchasing

JOHN J. O'CONNOR
*Vice President-International
Division*

CLAYTON J. ROHRBACH, Jr.
Vice President-Marketing

CARLTON E. SPITZER
Vice President-Public Affairs

HOWARD H. WARD
Vice President-Finance

JOSEPH E. MADIGAN
Treasurer

JOHN S. HARKINS
General Controller



Max A. Minnig



Joseph E. Madigan



Theodore G. Montague, Jr.



John J. O'Connor



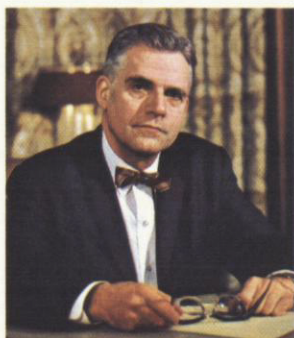
Clayton J. Rohrbach, Jr.



Carlton E. Spitzer



John B. Nimons



Fred J. Board



John S. Harkins



Bernard Nemptzow

Message to Shareholders and Employees



AUGUSTINE R. MARUSI

The year 1971 was one of progress for the Company.

Sales exceeded two billion dollars for the first time.

Total profits were the highest in five years and earnings per share were the highest in four years.

We entered the sugar industry and the soft-drink field and expanded our operations in bottled water, which contributed substantially to our improvement in net income. These are all growing sectors of the food industry.

We undertook important organizational changes, creating a corporate marketing department and a corporate engineering department.

We broadened our involvement as a corporation in social issues. We formed an executive Minority Affairs Council, and took leadership roles in government and industry programs concerned with minority, consumer, and environmental issues.

Our first two-billion-dollar sales year, and the improvement in profits, were particularly gratifying. The results confirmed the critical importance we had attached to our related plant-consolidation and diversification programs at the time they were initiated two years ago. Without these programs, the Company could not have coped as it did with the dislocations of a tightly controlled economy.

Our diversification efforts took us into the sugar and soft-drink fields, two new areas of business for the Company. These two sectors of the food industry, along with bottled water, have been showing accelerated growth in recent years, and the long-term outlook is promising. Our operations in these fields are well established. Moreover, their product lines lend themselves to innovations in marketing and distribution, where we have unusual strengths as a company. To assure our getting the most from these and any subsequent ventures into new areas of the food industry, we established a separate New Ventures Group within the Foods Division, with responsibility for their day-to-day supervision.

Another significant internal development was the formation of a corporate marketing department, responsible for integrating the overall planning of our marketing activities throughout the world. We have been using all the tools and techniques of modern marketing. But they have been applied for the most part to individual products or selected profit centers and divisions. The department will give us a company-wide overview of marketing opportunities, encourage the exchange of ideas and experiences among operations, provide us with a central repository of marketing data and costs, and enable us to increase the efficiency of our marketing expenditures by concentrating on those products, existing and potential, that will contribute most to our growth and diversification.

The formation of an executive Minority Affairs Council within

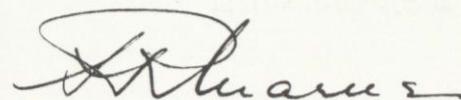
the Company creates the machinery through which we can use our corporate influence and example to encourage desirable socio-economic changes in the communities in which we operate. The Council is charged with auditing and assessing the Company's total efforts in minority programming, and with setting specific goals in employment, training, minority banking, marketing, activities with minority suppliers, and participation in community programs.

As to the outlook for 1972, we expect further gains in sales and profits. We shall be operating in a controlled economy, but with more flexibility and more experience than in the latter part of 1971.

The Price Commission has authorized the Company to make price increases on its domestic products averaging not more than 2% during 1972. In addition, we have been authorized to "pass through" any increases in the raw-material costs of dairy products and sugar. At the same time, our rate of pre-tax profit, as a

percentage of sales, cannot exceed the rate in a base period. But our anticipated gains in sales, as a result of more aggressive marketing efforts, should be reflected in higher profits. Such profits, representing "real" growth, will promote the objectives of the Administration's economic stabilization program.

We wish to express to the men and women of the Borden organization, the members of the board of directors, and the shareholders our appreciation for their generous efforts and support during the year.



Augustine R. Marusi
Chairman and President
February 29, 1972



BORDEN FOODS



	1971	1970
Sales (in Millions)	\$827.2	\$649.2
% of Total Sales	40%	35%
Operating Income (in Millions)	\$ 59.0	\$ 47.3
% of Total Income from Operations	42%	37%

Sales and operating income of Borden Foods were at all-time highs in 1971.

Sales totaled \$827,234,000, up from \$649,170,000 in the preceding year. The Division accounted for 40% of corporate sales in 1971, compared with 35% of sales in 1970. Operating income rose to \$58,976,000, or 42% of the corporate total, from \$47,335,000, a year earlier, when the contribution was 37%.

The figures for 1971 include financial results of sugar and soft-drink operations, and, for both years, retail food service operations and Crystal Springs Water Company.

The inclusion of 1971 sales and operating income of North American Sugar Industries Incorporated, acquired as a purchase as of January 1, was an important factor in the degree of improvement experienced by the Division. But

A multi-million-dollar manufacturing plant for Wyler products is nearing completion at Northbrook, Illinois. It is equipped with the most modern dehydrating and packaging equipment and anti-pollution devices available in the food industry.

even without North American Sugar, results were at record levels, although margins were less than anticipated because of uncontrolled raw-commodity price increases during the Phase I price freeze.

The Division's canning operations bounced back as conditions in the canning industry improved. There was a normal carryover of inventories of beans, beets, tomatoes and certain fruits, following an excessive carryover in 1970 that depressed selling prices for these products. Demand during the year was strong, prices firmed, and margins recovered.

Milk-based and specialty foods had an exceptional year. Improving substantially were sales of cheese, particularly individually wrapped cheese slices; sweetened condensed milk, and industrial products. Cremora, the Company's non-dairy creamer, further increased its share of a growing market; sales of canned Frosted were at an all-time high, and Wyler's outsold all other brands of sweetened powdered drink mixes.

A decline in discretionary consumer income, coupled with strong competition, adversely affected snack food sales. Market conditions prevented recovery of margins already shrunk by higher ingredient and labor costs, and Phase I froze selling prices at abnormally low levels. Although several well-established snack items performed well, overall profits were about the same as the previous year's.



Sales of cheese, particularly individually wrapped cheese slices, increased substantially during the year.

North American Sugar Industries' sales and operating income increased appreciably from a year earlier in spite of severe competitive conditions. Nationwide dock strikes did not seriously affect the Company's cane sugar refining operations since precautionary measures were taken to maintain raw sugar inventories.

The supply of raw sugar for the United States market is regulated under the provisions of the U.S. Sugar Act, which was revised and extended for a three-year period



North American Sugar Industries Incorporated, a refiner and distributor of cane sugar through its principal domestic subsidiaries, was acquired in 1971. Colonial is its principal consumer brand name.

effective Jan. 1, 1972. One of the prime purposes of the Act is to assure a supply at reasonable prices, and the Secretary of Agriculture is now required under the revised Act to increase or decrease the availability of raws whenever the price varies by a stated percentage above or below parity.

North American Sugar, through its principal domestic subsidiaries, manufactures and sells refined cane sugar in various forms for industrial and household use. Its sales are primarily in the South and Midwest, and principally under the Colonial brand name.

The purchase of North American Sugar was closed on April 28, under

an agreement dated as of Jan. 1. Under terms of the agreement, Borden issued one share of a new cumulative convertible preferred stock (Series B) in exchange for each of the 688,700 shares of North American Sugar common stock outstanding. Each share of Series B stock bears an annual dividend of \$1.32, has one vote, and is convertible into 1.1 shares of Borden common stock on or after April 30, 1972.

Retail Food Service operations had a very satisfactory year, sharing in the growth experienced by the fast food sector of the restaurant industry and benefiting from the opening of additional self-service, fast-food units. Thirteen new Borden BBF restaurants were added during the year, bringing the total in the Company's chain to 79. Operations were extended

to Pennsylvania and Michigan with the opening of three units each in the Pittsburgh and Detroit marketing areas. Two units were added in Florida, a state that was first entered in December, 1970. By the end of 1972, more than 100 Borden BBF restaurants are expected to be in operation.

The Company's bottled water operations were expanded with the purchase of the Polar Water Company of Pittsburgh, Pa. Polar is a major distributor of bottled purified water to homes, retail stores, and commercial installations in the Greater Pittsburgh area. It also distributes in the Greater Washington, D.C., area from a warehouse in Laurel, Md.

The Company entered the soft-drink field, effective July 1, with the purchase of the Pepsi-Cola Bottling Co. Inc. of Indianapolis, Indiana, a franchised bottler and distributor of Pepsi-Cola, Diet Pepsi, Mountain Dew, Teem, Dr Pepper, Mason's Root Beer, and other brands of soft drinks. The company, which maintains a bottling plant, six warehouses, and its own truck fleet, distributes in twelve counties in the growing metropolitan Indianapolis area.

The Division introduced a number of new products, product line extensions, and packaging innovations during the year. Most of the items were placed in selected test markets to measure consumer reaction before deciding on further distribution.

Added to the cheese line were three varieties of a "club" cheese spread in fiberboard "crock," a pimento spread in a plastic tub, and cheese food slices in four flavors. A new

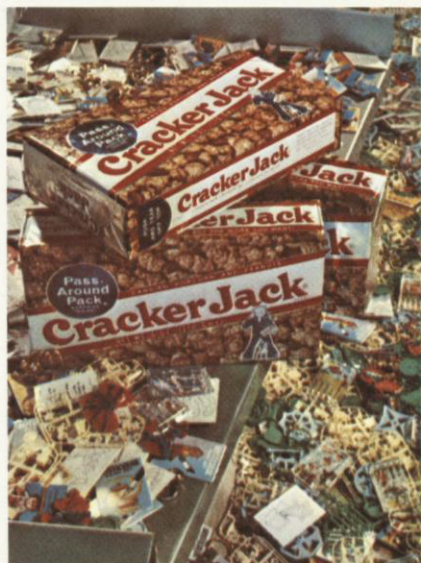
concept in cheese marketing is being tested on a small scale in Albany, N.Y., where Lite-line low-fat slices have been introduced. Lite-line is a pasteurized process cheese product made from skim milk and American cheese. It has approximately one-half the calories of process American cheese or process cheese food, but has comparable vitamins and minerals and more quality protein.

Two new products being tested, under the Borden brand name, are refrigerated toaster sandwiches and an orange-flavored breakfast drink mix.

Drake's, in its East Coast marketing area, introduced Hob Nobs, a baked confection with creme fillings in three flavors. Hob Nobs are fortified with B vitamins and iron, as part of a product-enrichment program for all Drake products, which was begun during the year. All Drake items are now enriched except pound cake and cookies, which will be added in 1972 after further flavor-control work is completed.

Henderson's Portion Pak developed Bakeables, four varieties of frozen breaded meat patties that meet the requirements of a Type A lunch under the National School Lunch Program. The products are fortified with enriched textured vegetable protein, which not only offers a nutritious food source but also helps retain the texture and natural juices of the meat during baking.

Deran's began testing a full line of "window-box" candies under the Elsie trade name, and introduced fruit-flavored malt balls, colorfully packaged in half-gallon, plastic-coated "milk cartons."



The Cracker Jack Division of Borden Foods is celebrating its 100th Anniversary in 1972. Cracker Jack as a brand name for candied popcorn was adopted in 1896; the famous "toy surprise" was added in 1912.

Bama, following successful testing in two cities in 1970, extended its pancake and waffle syrup to its full marketing area in the South and Southwest. Calo introduced a tuna-flavored cat food in the New England area.

With two exceptions, building projects within the Division were centered on the expansion of existing facilities.

Under construction throughout the year was the new plant for Wyler products at Northbrook, Ill. It is scheduled to go into production in July, 1972. Costing more than \$12 million, it will triple the production and warehouse facilities of the existing Wyler plant in Chicago, Ill., which will be sold.

At year end, a shrimp processing plant was under construction in

Costa Rica. Scheduled for completion in July, 1972, it will be a supply source for the operations of Henderson's Portion Pak in Coral Gables, Fla.

Equipment for the manufacture of individually wrapped process cheese slices was installed at Van Wert, Ohio, to supplement current production at Plymouth, Wisc.

Colonial Sugars Company, a subsidiary of North American Sugar Industries operating a refinery at Gramercy, La., installed a triple-effect evaporator and a high-speed double-bag former, filler and bundle maker, and completed a new building to house the refinery's packaging equipment. Another subsidiary, Florida Sugar Refinery, Inc., at Belle Glade, Fla., increased capacity for liquid sugar with the installation of fixed-bed carbon columns, used in a filtering process. Industrial Sugars, Inc., a third subsidiary located at St. Louis, Mo., undertook several improvement projects, including the construction of additional raw sugar storage capacity, a raw sugar melt house, a new product pressure filter, and two additional final product storage tanks, all of which will be completed in 1972.

The instant coffee plant at Newport, N.Y., was closed in September. Because of the age of the plant, it was not economically feasible to install costly equipment to produce an agglomerated product (coffee "clusters"), which is more soluble than, and rapidly supplanting, the powdered type of coffee. An agglomerated Kava Instant Coffee, with 90% of the acidity neutralized, is being processed under contract using the Borden blend and formula.



BORDEN DAIRY AND SERVICES



	1971	1970
Sales (in Millions)	\$590.0	\$586.3
% of Total Sales	29%	32%
Operating Income (in Millions)	\$ 31.1	\$ 32.5
% of Total Income from Operations	22%	25%

Sales of Borden Dairy and Services increased in 1971 after two successive years of decline. Operating income was down from a year earlier.

Sales amounted to \$590,008,000, or 29% of the corporate total, compared with \$586,252,000 in 1970, when they accounted for 32% of dollar volume. Operating income was \$31,079,000, compared with \$32,539,000 in the previous year, and the share of total income from operations was 22%, against 25%.

Of all sectors of the Company's business, dairy operations were affected most by the Phase I price freeze that went into effect Aug. 15. Raw milk prices were exempt from the freeze, and continued to rise during the 90-day Phase I period in response to seasonal pricing formulas and premium-price agreements between processors and farmers. With selling prices frozen, and with virtually no inventories to work from because of the perishability of dairy products, the higher raw-product costs were

almost immediately reflected in reduced margins. Bids for milk for school lunch programs had to be submitted at price levels in effect a year earlier.

For Phase II, the Price Commission authorized a "pass through" of any increases in raw-milk prices after Nov. 14. Although welcome, the change had little effect but to freeze margins at below-normal levels throughout the remainder of the year.



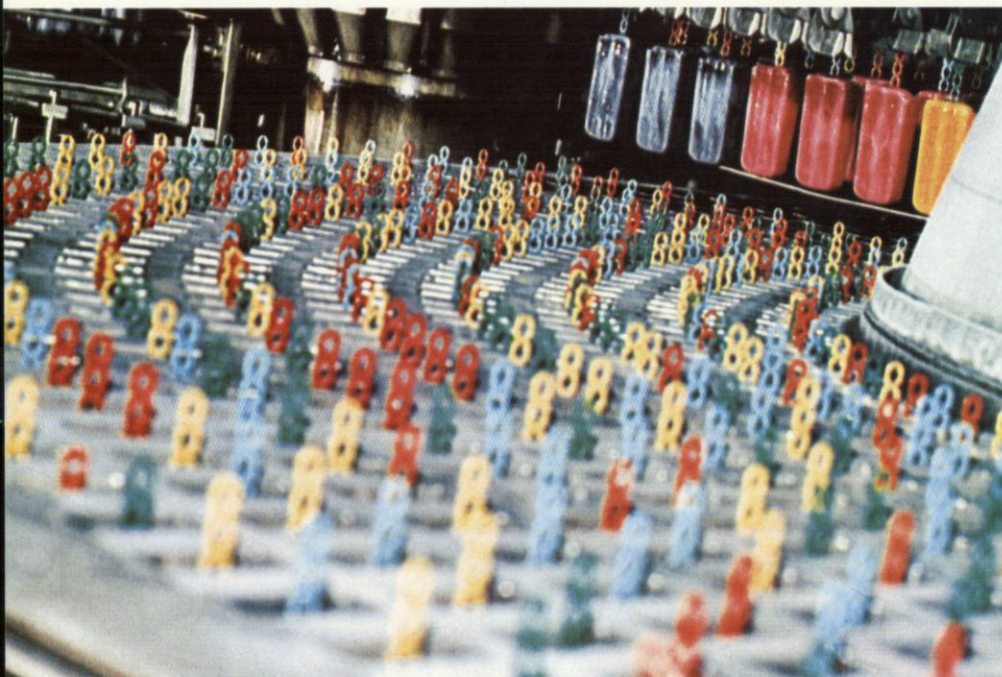
An old fashioned milk wagon with a modern Borden logo is framed in a view from the patio of the Borden Ice Cream Parlor at Walt Disney World.

The Borden Ice Cream Parlor in the "Main Street U.S.A." theme park of Walt Disney World in Florida opened in October. Attendance is exceeding all projections. Borden is the "official supplier" of milk and dairy products to the entertainment center.

There was a move within the industry by some dairy farmers' cooperative associations to secure year-long, exclusive full-supply milk contracts. Such contracts could adversely affect costs by disrupting the normal supply-demand relationship: committing a processor to more milk than is needed during the "flush" season and prohibiting access to alternative sources during periods of short supply.

There was a slight but encouraging reversal of the trend by grocery chains to process and manufacture their own requirements of milk and ice cream. The Company regained the business of several small chains that closed their captive dairies. Even among the larger chains with captive operations, few have ventured into the processing of specialties, and the Company continues as an important supplier of these higher-margin, and usually brand-name, items.

The dairy operations were able to offset some of the adverse factors confronting the industry by an aggressive marketing effort and an effective cost-control program. Emphasis was given to the development of specialty items, and to market expansion in new geographical areas. More extensive use of distributors, and of warehouse delivery, reduced distribution costs. The opening of Walt Disney World in Florida, for which the Company is the "official supplier" of milk and dairy products, provides not only a major new market within the entertainment center, but also a "test market" for thousands of visitors who are potential Borden customers in their home communities.



Elsie Stix, interlocking plastic sticks used as handles on Borden frozen novelties, had an outstanding year. Their use was extended to several additional novelty items.

Distribution of Borden dairy products was extended to two new geographical areas with the introduction of ice cream in Minneapolis, Minn., and milk and milk specialties in western New York State. The products are being handled by distributors. Lady Borden ice cream in one-quart containers became available in Northeast and Mid-Atlantic markets, and a full line of Lite-line low-fat dairy products—milk, chocolate milk, cottage cheese, sour dressing, and dips—was test marketed in Columbus, Ohio.

A new concept of marketing milk products, made possible by the Company's diversified product line, is being tested in Upstate New York and Lexington, Ky. Consumers in these markets are being offered four types of milk, each a "special" milk for a special need. Regular homogenized vitamin D milk is being promoted for young children. Lite-line, containing 1% butterfat and fortified with iron and extra calcium, is aimed at women of child-bearing age. Pro-line, with 2% fat and extra protein, is targeted for young adults. Skim-line, virtually a non-fat milk, is fortified with the minimum daily adult requirements of nine vitamins and minerals; it is for those who are on more restricted diets.

The "Special Line" has been so well received that it will be extended to all Borden markets in the northern half of the country, and to Florida, in the first half of 1972.

Elsie Stix, the interlocking plastic sticks used as handles on Borden Ice cream novelties, had another outstanding year. Already in limited use in all Borden ice cream markets in the United States and Canada, Elsie Stix were extended to several additional novelty items during the year, replacing conventional wooden sticks.

Borden has exclusive rights to these interlocking plastic sticks in the United States and Canada, and has been issued a U.S. patent for the Elsie Stix design. In the United States,

the plastic stick is expected to replace the wooden stick in ice cream novelties within two or three years.

The Borden Ice Cream Parlor in the "Main Street U.S.A." theme park of Walt Disney World in Florida opened on Oct. 1. It was formally dedicated on Oct. 5, "Borden Day" at the 2,500-acre "Vacation Kingdom," by Elsie the Cow, who took part in ribbon-cutting ceremonies with such famed Disney characters as Mickey Mouse and Goofy. During its three months of operation in 1971, attendance at Walt Disney World and, in turn, the Borden Parlor exceeded all projections.

A new ice cream manufacturing plant went into operation in Tupelo, Miss., in June, replacing a 50-year-old downtown facility. It will serve Borden customers in northeastern Mississippi and northern Alabama.

Additional equipment for manufacturing ice cream novelties was installed at Tampa, Fla.; ice cream storage capacity was expanded at Oklahoma City, Okla. Extensive materials handling equipment was installed at the Lake Charles, La., milk processing plant.

A milk processing plant at Des Moines, Iowa, was closed in July.

In 1972, two new ice cream distribution branches are planned, at Indianapolis, Ind., and at Poughkeepsie, N.Y. Both are expected to be completed in the fourth quarter. Ice cream facilities at Dallas and Houston, Tex., and Phoenix, Ariz., will be expanded, with completion scheduled for the third quarter of 1972.

The advertisement features four Borden's Special Line milk cartons at the top, each with a different color and label:

- Red carton:** BORDEN VITAMIN D HOMOGENIZED MILK
- Red carton:** Pro-line. BORDEN Pro-line. 2% BUTTERFAT Extra Protein
- Blue carton:** BORDEN Lite-line. 99% FAT FREE
- Green carton:** BORDEN Skim-line. 9 essential vitamins and minerals

 Below the cartons are four small rectangular images showing scenes from a television commercial:

- A young boy in a red shirt looking up.
- A man in a white shirt and a woman in a yellow dress walking.
- A woman with blonde hair smiling.
- A man in a blue shirt working on a wooden structure.

 The text "Four different milks" is centered below the images in a large, bold, serif font.

Under a new marketing concept made possible by the Company's full range of dairy products, four different types of milk are being promoted as a "Special Line." Each milk is intended to meet the special needs of a particular age group. Above is a scene from a television commercial for the new line.



BORDEN CHEMICAL

	1971	1970
Sales (in Millions)	\$400.5	\$386.2
% of Total Sales	19%	21%
Operating Income (in Millions)	\$ 30.9	\$ 30.9
% of Total Income from Operations	22%	24%

Operating income of Borden Chemical in 1971 held at approximately the level of a year earlier on slightly higher sales.

Sales amounted to \$400,543,000, or 19% of the corporate total, up from \$386,171,000 in 1970, when they accounted for 21% of Company sales. Operating income was \$30,923,000, contributing 22% of the corporate total, compared with \$30,942,000, or 24%, in the preceding year.

Except for petrochemicals, all principal operations of the Division experienced improved results. An upturn in the fertilizer industry that began in 1970 extended into 1971. Borden fertilizer sales increased as prices firmed; margins were up, benefiting additionally from plant consolidations put into effect in 1970.

Sales of Borden vinyl materials for consumer, commercial and industrial applications increased substantially. Contributing factors were a record two million housing starts, a surge in motel construction and hotel renovation, wider use of vinyl laminates in

At Plant City, Fla., additional facilities were installed for the manufacture of CDP brand supplement used in animal feeds, of which Borden is a leading supplier. Prepared feed is metered from the hopper at center rear into twin cylindrical kilns where a chemical reaction takes place.



furniture and cabinetry, and a recovery in the domestic automobile industry—the last being an important outlet for vinyl upholstery and trim material.

The Division achieved a heavy penetration of the furniture case goods market with the introduction of K-6 Clearseal, a decorative vinyl laminated to wood products and used in furniture, kitchen cabinets, wall partitions, and radio, television, and phonograph housings.

Sales of packaging materials were at an all-time high. Resinite polyvinyl chloride (PVC) film maintained its position as the leading PVC film for in-store wrapping of meats and produce. A new film for wrapping animal carcasses was introduced. With the opening of a polystyrene foam sheet plant at North Andover, Mass., late in 1970, the Division added molded meat trays to its packaging materials line, becoming the first New England-based supplier of this item.

The Division's consumer products continued their growth pattern. Krylon added to its lines of spray paints for snowmobiles and high-performance cleaning compounds for automotive engines; Mystik introduced Tool Box Tapes, a set of nine job-size rolls of pressure-sensitive tapes for the home handyman; the Cling line of pressure-sensitive vinyl yardgoods was extended with a Wet Look pattern, and additional sizes of Elmer's Glue-All strengthened the product's position as the nation's leading household glue.

Sales of printing inks increased, as did sales of resins, the latter aided by the opening of new markets for PVC compounds in blow-molded bottles, piping and siding.

Petrochemicals were in oversupply throughout the industry; for the Division, volume sales increased, but dollar sales declined as prices softened, and margins were affected.

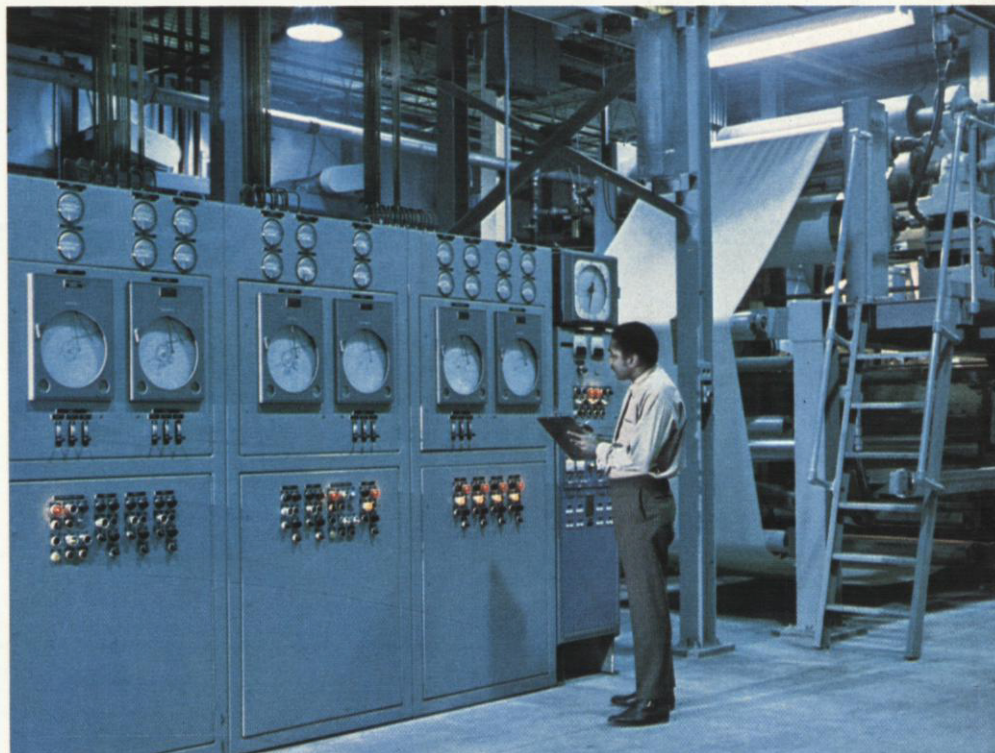
Ten major building projects were completed during the year. These were apart from the Division's continuing pollution-control program, which saw equipment installed at 17 plant locations.

A new formaldehyde plant, the Division's eleventh, went on stream in June at Louisville, Ky. Its rated capacity of 70 million pounds boosted Borden formaldehyde capacity in the United States above one billion pounds annually. A companion plant,

producing urea-formaldehyde resins, went into production at Louisville in October.

At La Grande, Ore., formaldehyde capacity was increased by 20 million pounds, and resin capacity by 16 million gallons. An expansion at Diboll, Tex., added to that plant's output of urea- and phenol-formaldehyde resins.

More than 40 million additional pounds of polyvinyl chloride (PVC) resins came on stream through expansions at Illiopolis, Ill., and Leominster, Mass. At Leominster, a plant manufacturing PVC bottle compounds, completed only in 1970, was enlarged by June.



The second phase of an equipment modernization program for vinyl wallcoverings was completed at Columbus, Ohio. A giant coating machine, which forms continuous rolls of cloth-backed vinyl sheeting, is monitored from a master control panel.

BORDEN CHEMICAL

Continued

At the agricultural chemicals complex at Plant City, Fla., facilities were installed for the manufacture of CDP brand supplement used in animal feeds, of which Borden is a leading supplier.

The first phase of a five-year expansion program for Mystik Tapes was completed at Northfield, Ill., as was the second phase of an equipment modernization program for vinyl wall-coverings at Columbus, Ohio. The Columbus project will be finished in early 1973.

At year end, the Division's thirteenth ink plant was nearing completion at Odenton, Md., near Baltimore. Production is scheduled for the second quarter of 1972. Also under construction, and expected to be in operation by mid-1972, is a Resinite packaging materials plant at Griffin, Ga., 35 miles south of Atlanta.

The Division extended its area of activities during the year with the Company's acquisition of the Sterling Plastics Company. Sterling manufactures precision-molded plastic items for the school and stationery supply field. Its product line includes slide rules, desk supplies, file boxes, and drafting and drawing instruments, which are sold through discount chains and variety stores as well as stationery and art supply stores. Sterling's plant and headquarters are at Mountainside, N.J.



BORDEN INC. INTERNATIONAL



	1971	1970
Sales (in Millions)	\$251.9	\$210.6
% of Total Sales	12%	12%
Operating Income (in Millions)	\$ 20.5	\$ 18.7
% of Total Income from Operations	14%	14%

Sales and operating income of Borden Inc. International rose to all-time highs in 1971.

Sales amounted to \$251,882,000, or 12% of the corporate total, up from \$210,609,000 in the previous year, when they also accounted for 12%. Operating income rose to \$20,483,000 from \$18,666,000, with the share of total operating income remaining at 14% in both years.

The above figures include results of The Borden Company, Limited, and Raymond Snack Foods Limited, both of Canada, whose operations were consolidated with Borden Inc. International in October. The figures do not include export sales and operating income, which are the responsibility of International but are credited to the Foods and Chemical Divisions.

The diversity and scope of International's operations were reflected in the products developed and the markets served during the year.

Borden Europe had a very active program. Its baked goods and snacks division enjoyed an excellent year, introducing in Germany a wide variety of new products, among them a frozen cake line, soft rolls, American-type white bread, and family-pack snacks. Distribution of the German bakery products was also started in Belgium.

In Italy, the bakery goods line was broadened to include pound cake and new snack items.

In Sweden, facilities for the production of potato chips were expanded and raw potato storage capacity was enlarged.

Borden Europe's food division made progress in several areas. In Ireland, a boil-in-the-bag cooked meat product was developed for marketing in the United Kingdom. In Spain, canned soups were introduced in test markets.

The European chemical operations continued their rapid development. Following the start-up of polystyrene foam sheet production at Gjoevik, Norway, distribution of molded meat trays to institutional customers in Scandinavia, Germany and Austria got underway in January, 1972.

Resinite polyvinyl chloride (PVC) film was produced in France for the first time with the completion late in the year of a plant at Fécamp.

The Borden Chemical Company (UK) Ltd. expanded its activities in the area of plastic packaging in the United Kingdom with the acquisition of Gazelle Plastics, Ltd. Gazelle is primarily engaged in the extrusion and thermoforming of polyvinyl chloride and polystyrene sheet. The

company also greatly increased its resin capacity and added additional storage facilities for raw materials at its main plant in Southampton, England.

In the Far East, much of the activity continued to center around Japan. A cheese manufacturing plant is under construction by Borden and Meiji Dairy Co., Ltd., and a line of cheese products suited to the Japanese taste will be introduced in 1972.



The driver of a tank truck loaded with Borden Casco resins, en route across the Pampas to a modern particleboard plant, pauses to chat with an Argentine gaucho.

A delivery van from the modern fleet of Gallina Blanca, S. A., Spanish food affiliate, passes the statue of Christopher Columbus in Barcelona. AVECREM is the brand name for caldo, a popular type of soup in bouillon form.



Borden Epoxide and Furane resins, manufactured by The Borden Chemical Company (UK) Ltd., were chosen for repair work on London's famed Tower Bridge across the Thames.

Lady Borden ice cream, manufactured under Borden license by Meiji, went on sale in Japan.

A joint venture was completed with Kabaya Confectionery Company to manufacture and market Cracker Jack candied popcorn in Japan. The product was introduced into selected areas with great success and distribution is being expanded rapidly.

The Kawasaki-Borden Machinery Company Ltd. was formed for the manufacture and assembly of the Borden line of can-making and can-testing machinery.

An understanding has been reached with Hitachi Chemical Company to form a partnership for the production and sales of Resinite film.

Borden Latin America, within its chemical operations, started construction in 1971 of two new facilities: in Mexico, for the manufacture of precision engineering components used in the plastics molding industry, and in Argentina, for the manufacture of Resinite film.

New products introduced were School Glue in colors and a mastic patching compound in Brazil, canned heat and plastic starch in Argentina, and consumer package glues in Mexico.

Construction of a multi-million-dollar meat processing plant and distribution center was underway by Borden Pan America in San Juan, Puerto Rico. The plant will process portion-controlled meats.

New warehouse facilities were completed in Panama which provide proper storage capacity for the new frozen food lines as well as more efficient handling of other products.

CHANGES IN OFFICERS AND DIRECTORS



Nine Elsie Ice Cream Shoppes were opened by The Borden Company, Limited, in Canada. All are located in enclosed malls of shopping centers, and feature hand-dipped cones, ice cream sodas and sundaes, and Elsie frozen novelties. The stores are of two designs: with indoor service and seating (above), and kiosks with "outdoor" stand-up counters.

A new dairy plant was completed at Ottawa, Canada, for milk processing and ice cream distribution.

The Borden Company, Limited, opened nine additional Elsie Ice Cream Shoppes in Canada. These are stores located in the malls of shopping centers, and feature hand-dipped cones, ice cream sundaes and Elsie frozen novelties. Plans call for more than doubling the number of shoppes during 1972.

In the latter part of the year, International completely restructured its organization for export sales to provide new emphasis on overseas sales of U.S.-made products. The new structure will also enable International to take advantage of a Domestic International Sales Company (DISC), a type of organization recently approved by Congress to spur export sales.

Bernard Nemtzw, vice president and general counsel of the Company, was elected to the additional position of corporate secretary, effective May 25. As secretary, he succeeded Douglas T. Orton, who retired as an employee after 40 years of service.

Clayton J. Rohrbach, Jr., a corporate vice president and formerly president of the Milk-Based and Specialty Foods Groups of the Borden Foods Division, was appointed corporate vice president-marketing, a new position, effective Sept. 1.

Max A. Minnig was elected a corporate vice president and appointed president of the Borden Chemical Division, effective Sept. 15, succeeding Harry C. Wechsler, who resigned from both positions.

Under an amendment to the By-Laws, the board of directors was increased from 13 to 14 members, effective April 21, the date of the Annual Meeting.

Directors newly elected at the Annual Meeting were Bernard Nemtzw; W. Thomas Rice, chairman and chief executive officer of Seaboard Coast Line Industries, Inc., and William K. Westwater, president of W. K. Westwater Company, a business management services company in Columbus, Ohio.

J. Roy Gordon, a director of The International Nickel Co. of Canada, Ltd., and a Borden director since 1962, did not stand for re-election in accordance with company policy, having attained age 72 prior to the Annual Meeting.

The World of Borden, Inc.

Foods Division / Dairy and Services Division / Chemical Division / Borden Inc. International

BORDEN U.S.A.

New York, New York—Executive Offices, Borden, Inc.; Headquarters, Borden Inc. International

Columbus, Ohio—Administrative Offices, Borden, Inc.; Headquarters, Foods Division and Chemical Division

Houston, Texas—Headquarters, Dairy and Services Division

- 50 Food processing plants in 22 states
- 79 Borden BBF restaurants in 6 states
- 62 Milk processing and/or ice cream manufacturing plants in 24 states
- 61 Chemical plants in 23 states
- 4 Can manufacturing plants in 4 states
- 3 Can machinery plants in 2 states

BORDEN CANADA

HEADQUARTERS

Don Mills (Toronto), Ontario

The Borden Company, Limited
Don Mills, Ontario

Products: Fluid milk, ice cream, manufactured food products

The Borden Chemical Company (Canada) Ltd.
West Hill, Ontario

Products: Adhesives, caseins, coated fabrics, coatings, cosmetics, formaldehyde, inks, latexes, packaging films, plastic housewares, spray coatings

Raymond Snack Foods Limited
Kitchener, Ontario

Products: Nuts, snack foods

BORDEN EUROPE

HEADQUARTERS

Brussels, Belgium

ENGLAND

The Borden Chemical Company (UK) Ltd.
Southampton

Products: Adhesives, coatings, epoxy compounds, formaldehyde, packaging films, polyvinyl acetate emulsions, urea & phenolic resins, aerosol paints.

FRANCE

Borden Chemical Company (France) S.A.
Fecamp

Products: Adhesives, coatings, epoxy compounds, packaging films, polyvinyl acetate emulsions, urea & phenolic resins.

GERMANY

Wilhelm Weber GmbH u. Co. KG
Pfungstadt

Products: Breads, cakes, snacks, yeast-raised goods

IRELAND

Portion Foods Limited
Dublin

Products: Processed meats

ITALY

Rodolfo Tettamanti e. Figli S.p.A.
Como

Products: Sweet snacks, biscuits, bread sticks, fresh pastries

NORWAY

Borden Kjemi Norge A/S
Oslo

Products: Packaging films, polystyrene foam sheet, molded meat trays

SPAIN

Gallina Blanca, S.A.
Barcelona

Products: Bouillon cubes, custard & pudding mixes, chewing gum, dehydrated soups, fruit drinks, snacks

SWEDEN

Old London WASA A.B.
Filipstad

Products: Snacks

BORDEN FAR EAST

HEADQUARTERS

Tokyo, Japan

AUSTRALIA

Borden Chemical Company Pty. Ltd.
Granville, N.S.W.

Products: Petrochemicals, resins, adhesives, packaging films

International Portion Foods Pty. Ltd.
Brisbane, Queensland

Products: Portion-controlled frozen meats

JAPAN

Kabaya-Borden, Inc.
Okayama-shi

Products: Cracker Jack candied popcorn

Kawasaki-Borden Machinery Co. Ltd.
Tokyo

Products: Can machinery

PHILIPPINES

Borden Chemical Company, Inc.
Makati, Rizal

Products: Industrial resins, petrochemicals, pressure sensitive tapes

CODE:

- FOODS DIVISION
Headquarters—Columbus, Ohio
- DAIRY AND SERVICES DIVISION
Headquarters—Houston, Texas
- CHEMICAL DIVISION
Headquarters—Columbus, Ohio
- BORDEN INC. INTERNATIONAL
Headquarters—New York, N.Y.
 ■ Food Operation
 ■ Chemical Operation
- ★ BORDEN, INC.
Executive Offices—New York, N.Y.
Administrative Offices—Columbus, Ohio



PRINCIPAL BORDEN BRANDS

BORDEN LATIN AMERICA

HEADQUARTERS

Caracas, Venezuela

ARGENTINA

Cia. Casco S.A.I.C.
Buenos Aires

Products: Petrochemicals, industrial resins, packaging films, consumer products

BRAZIL

Alba, S.A.—Industrias Químicas
Sao Paulo

Products: Petrochemicals, industrial resins, thermoplastics, pressure sensitive tapes

COLOMBIA

Cia. Quimica Borden, S. A.
Cali

Products: Petrochemicals, industrial resins, thermoplastics, packaging films, paints, inks

Cia. Colombiana de Alimentos Lacteos, S.A.
Bogota

Products: Powdered milk, dairy products

MEXICO

Industrias Químicas Formex, S.A. de C.V.
Mexico City

Products: Industrial resins, adhesives, packaging films.

Materiales Moldeables S. A. de C.V.
Mexico City

Products: Molding compounds

NICARAGUA

Química Borden Centroamericana, S. A.
Managua

Products: Industrial resins

PERU

Cia. Peruana de Alimentos, S. A.
Lima

Products: Powdered milk, dairy products

VENEZUELA

Industria Lactea Venezolana, C. A.
Caracas

Products: Powdered milk, dairy products

BORDEN PAN AMERICA

HEADQUARTERS

New York, New York

BAHAMAS

Nassau Dairy Products Ltd.
Nassau

Products: Dairy products

DENMARK

The Borden Company A/S
Esbjerg

Products: Powdered milk (export only)

IRELAND

The Borden Company Limited
Mallow, County Cork

Products: Powdered milk (export only)

PANAMA

Cia. Internacional de Ventas, S.A.
Panama

Distribution

PUERTO RICO

C.O. Mason Inc.
San Juan

Products: Portion-controlled meats & seafood

Borden Puerto Rico Inc.
San Juan

Distribution

BORDEN FOODS

AUNT JANE'S—Pickles and relishes

BAMA—Jams, jellies, mayonnaise, peanut butter, spreads, table syrup

BORDEN—Refrigerated biscuits, natural and processed cheeses, chocolate beverage mix, evaporated milk, Frosted, instant coffee, instant potatoes, malted milks

CALO—Dog and cat foods

CAMPFIRE—Marshmallows

COLONIAL—Sugars

COMSTOCK—Apples, beans, beets, carrots, pie fillings, spiced pears

CRACKER JACK—Candied popcorn

CREMORA—Non-dairy creamer

CRYSTAL SPRINGS—Bottled water

DANISH FLAVOR—Margarine

DERAN'S—Chocolate candy, hard candy, toffee, taffy

DRAKE'S—Cakes, coffee cakes, snack items

EAGLE BRAND—Sweetened condensed milk, pasteurized neufchatel cheese

E-Z CHEESE—Powdered cheese cake mix

FLAVOR HOUSE—Dry roasted nuts

GREENWOOD'S—Pickled beets, red cabbage, fruits

HENDERSON'S PORTION PAK—Frozen seafood and meat

KAVA—Instant coffee (90% acidity neutralized)

LIEDERKRANZ—Soft ripened cheese

MENNER'S—Canned dinners and puddings

MILKBOY BRAND—Pasteurized process gruyere cheese

NONE SUCH—Mince meat

OLD LONDON—Toast and snack foods

REALEMON—Reconstituted lemon and lime juices, prune juice, cocktail mixes, lemon peel oil in aerosol container

SACRAMENTO—Tomato juice, other tomato products, peaches, pears, fruit cocktail

SNOW'S—Clam, corn and fish chowders, other clam products, newburg sauce, onion crisps, Welsh rare-bit.

VERA-SHARP—Cheese spread

WISE—Potato and corn chips, popcorn and other snack items

WYLER'S—Dry soup and beverage mixes, dry vegetables and herbs

BORDEN DAIRY AND SERVICES

BORDEN—Milks, buttermilk, chocolate drink, cottage cheese, creams, dips, egg nog, sour cream, Swiss style yogurt, ice creams, frozen novelties, ice milks, sherberts, fruit drinks

CHARLOTTE FREEZE—Mellorine frozen dessert

ELSIE—Ice cream novelties

GAIL BORDEN SIGNATURE QUALITY—Multi-vitamin-mineral fortified milks

GLACIER CLUB—Ice Cream

GOLDEN CREST—Extra rich homogenized milk

GOLDEN WHIP—Ready whipped cream, pressurized

HI-PRO—Specialty milk

LADY BORDEN—Premium quality ice cream

LITE-LINE—Specialty milk, frozen dairy dessert, yogurt, cottage cheese

PRO-LINE—Specialty milk

SKIM-LINE—Specialty milk

THIRSTEE SMASH—Non-carbonated fruit drink

ZEST—Imitation sour cream

BORDEN CHEMICAL

ARABOL—Adhesives

CALINE—Fragrances

CASCAMITE—Powdered urea-formaldehyde resins

CASCO—Thermosetting resins

CASCOLA—Labeling adhesives

CASCOMEL—Melamine and melamine-urea resins

CASCOMELT—Hot melt adhesives

CASCOPHEN—Phenol and resorcinol resins

CASCOREZ—Polyvinyl acetate adhesives

CDP—Animal feed supplement

CILCO—Printing inks

CLING—Pressure-sensitive vinyl coverings

COL-O-VIN—Vinyl fabric and upholstery material

DIKAL—Animal feed supplement

DURITE—Resins for abrasives

ELASTATURF—Synthetic surfacing for running tracks, etc.

ELMER'S—Adhesives line for consumers

EPIPHEN—Epoxide resins

ESBILAC—Synthetic bitch's milk

FERMACO—Animal feed supplement

JEAN PATOU—Fragrance line

JOY—Perfume

KRYLON—Aerosol paints and coatings

LUSTRO-WARE—Plastic housewares

MARCELLE—Hypo-allergenic cosmetics

MIRRA COAT—Food supplement for horses and dogs

MYSTIK—Pressure-sensitive tapes

PELLEFORM—Fertilizers

PLACCO—Adhesives

PLASTIKOTE—Printing inks

POLYCO—Resin emulsions

PROTOVAC—Glues

RESINITE—Vinyl packaging films

SATINESQUE—Vinyl wallcoverings

SPARVAR—Aerosol paints and coatings

SQUARE DEAL—Fertilizers

STERLING—Precision molded plastic school supplies

THOR—Resins for foundry core binders

TYKOR—Cleaners, etc., for institutional use

WALL-TEX—Vinyl wallcoverings

BORDEN INC. INTERNATIONAL*

AFIN—Coffee substitute

ALBA—Various chemical products

AMBURGO—Baked products

AVECREM—Bouillon

BIPLAS—Molding compounds

BLANCOLA—Paints

CALDO MIL—Bouillon

CANABEC—Condensed milk

CASCOFIL—Coconut shell flour

CASCOLOR FANTASIA—School glue in colors

CASCOPOX—Epoxy glues

CASCOTE—Coating resins

CASCOTEX—Laundry starches

CIU-CIU—Baked products

COCIDO—Bouillon

COLORDUR—Roofing compound

CRECS—Snack foods

CREMELLE—Non-dairy creamer

CREMEX—Dairy products

DER LECKERBECKER—Frozen cakes

DUNKIN—Chewing gum

DUREPOXI—Epoxy resins

EGA—Consumer adhesives

EPAQUIMICA—Phenol formaldehyde resins

EPOPHEN—Epoxy adhesives

ESCOLAR—School glue

EXTRABOND—Adhesive products

FEND—Protective coatings

FRISCH-BIS—Baked products

GALLINA BLANCA—Soups and snacks

JACK SNACKS—Nuts and snack items

KIZ—Baked products

KLIM—Whole milk powder

MEISTER WEISS—Baked products

SUESSE PAUSE—Baked products

TARTADOR—Cake mixes

TETTAMANTI—Baked products

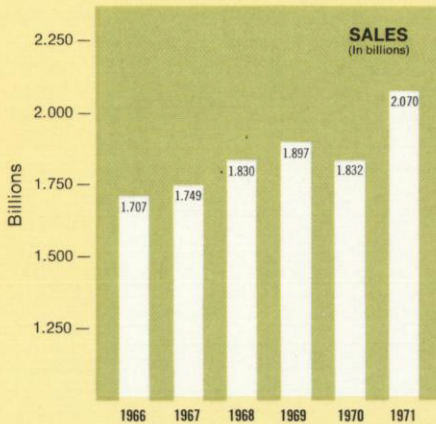
TITTI—Baked products

TRIC FROLL—Baked products

WEBER—Baked products

*Many of the United States brands are also sold overseas.

FINANCIAL REVIEW



SALES

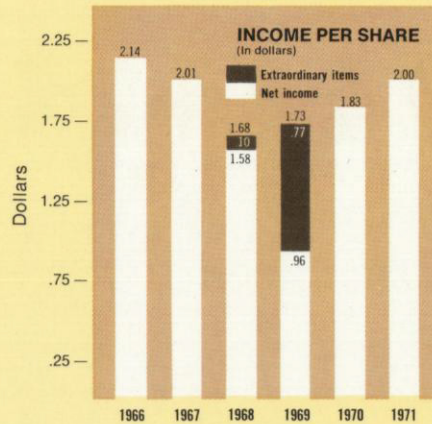
Sales in 1971 were at an all-time high, exceeding two billion dollars for the first time. All four divisions contributed to the improvement.

Worldwide sales totaled \$2,069,667,000, an increase of 13.0% from \$1,832,202,000 in the preceding year and 9.1% above the previous high of \$1,896,595,000 in 1969.

INCOME

Net income in 1971 was the highest since 1966 and earnings per share were the highest since 1967.

Net income was \$60,533,000, up 12.8% from \$53,681,000 in 1970. Earnings per share were \$2.00 on an average of 30,304,000 common shares and equivalents outstanding during the year. This compares with \$1.83 on an average of 29,352,000 common shares and equivalents outstanding during 1970.



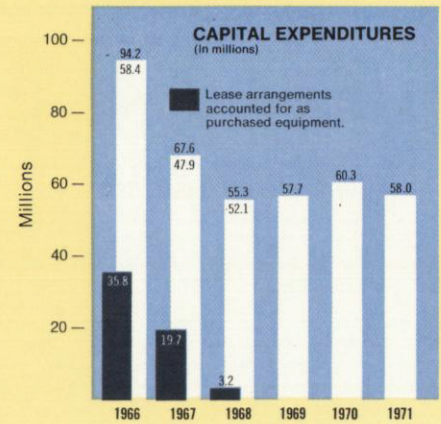
The improvement in net income was attributable chiefly to three factors: higher income from total operations; significant contributions from purchase acquisitions, including North American Sugar Industries Incorporated, and a higher investment tax credit of \$1,000,000 in 1971, compared with \$400,000 in the preceding year.

CAPITAL EXPENDITURES

Approximately \$57,987,000 was invested in 1971 in new property and equipment. Of this amount, depreciation, depletion and amortization provided \$42,393,000. Fixed assets of \$24,875,000 were also added through acquisitions, and leases were effected for \$14,310,000 of equipment, primarily motor vehicles and ice cream cabinets.

DIVIDENDS

Cash dividends of \$35,470,247 were paid on the Company's capital stock in 1971, compared with \$34,263,652



in 1970. Dividends on common stock were \$34,650,534, or \$1.20 per share; on Preferred Stock—Series A, \$283,650, or 60 cents per share, and on Preferred Stock—Series B, \$536,063, or 78 cents per share. The dividend on the common stock in 1970 was \$1.20 per share. The December dividend on common stock was the 247th consecutive payment and completed 73 years of uninterrupted dividends since the Company was incorporated in 1899.

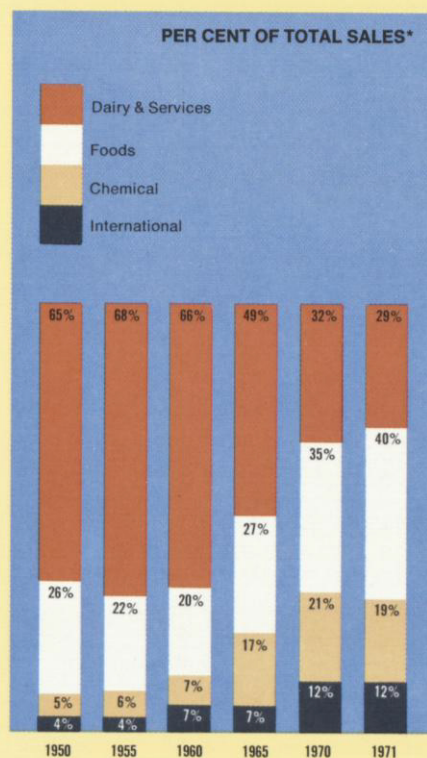
FINANCING

Borden Overseas Capital Corporation, N. V., a wholly-owned subsidiary of the Company, in July issued \$30,000,000 of 20-year, 6¾% convertible debentures. The Eurodollar offering was made outside the United States through an international group of underwriters. The proceeds from this financing were made available for the Company's worldwide expansion and acquisition programs.

SALES TREND BY BUSINESS AREA

Substantial sales gains in the foods sector of the Company's business between 1970 and 1971 further reduced the share of total sales contributed by dairy and chemical operations, even though these sectors showed improvement in absolute terms.

For comparative purposes, the percentages for 1970 in the chart at right have been restated to reflect the reassignment in 1971 of Bottled Water and Retail Food Service sales from Dairy and Services to Foods, and non-chemical Canadian sales to International. The reassignment did not materially affect the long-term trend, since the Company did not enter the Bottled Water and Retail Food Service fields until late 1969.



*Not restated for poolings of interests.

SALES AND INCOME BY BUSINESS AREA

(Dollars in Thousands)

	Sales				Income			
	1971		1970		1971		1970	
	\$	%	\$	%	\$	%	\$	%
Foods	827,234	40	649,170	35	58,976	42	47,335	37
Dairy and Services	590,008	29	586,252	32	31,079	22	32,539	25
Chemical	400,543	19	386,171	21	30,923	22	30,942	24
International	251,882	12	210,609	12	20,483	14	18,666	14
Total	2,069,667	100	1,832,202	100	141,461	100	129,482	100
Other income and expenses not allocable to operations, and taxes					80,928		75,801	
Net income	60,533				60,533		53,681	

CONSOLIDATED STATEMENTS OF INCOME

BORDEN, INC.

	Year ended December 31	1971	1970
NET SALES		<u>\$2,069,667,107</u>	<u>\$1,832,201,587</u>
COSTS AND EXPENSES:			
Cost of goods sold		1,686,434,851	1,480,142,033
Marketing, distribution and administrative expenses		268,956,224	250,135,745
Other (income) and expense, net		(8,118,072)	(9,404,188)
Interest expense (includes interest expense on leases— \$2,594,783 in 1971 and \$3,139,542 in 1970)		15,534,846	13,529,056
United States and foreign income taxes		<u>46,326,541</u>	<u>44,118,433</u>
		<u>2,009,134,390</u>	<u>1,778,521,079</u>
NET INCOME		<u>\$ 60,532,717</u>	<u>\$ 53,680,508</u>
Average number of common shares and equivalents outstanding during the year		30,304,451	29,351,594
Net income per share		\$ 2.00	\$ 1.83
Cash dividends per common share		1.20	1.20

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BORDEN, INC.

FOR THE TWO YEARS ENDED DECEMBER 31, 1971

	CAPITAL STOCK ISSUED			PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
	PREFERRED SERIES A	PREFERRED SERIES B	COMMON			
Balance, December 31, 1969 as previously reported	\$1,772,812		\$107,978,648	\$179,955,939	\$348,173,732	\$11,386,971
Pooling of interests			1,312,500	(587,500)	3,095,834	
Balance, December 31, 1969 as restated	1,772,812		109,291,148	179,368,439	351,269,566	11,386,971
Net income					53,680,508	
Cash dividends:						
—Common Stock .					(34,263,652)	
—Pooled Company					(746,728)	
Treasury Stock issued for acquisitions—337,900 shares ..				(4,179,645)		(11,009,989)
Stock repurchased for Treasury— 98,700 shares						2,291,059
Balance, December 31, 1970 as restated	1,772,812		109,291,148	175,188,794	369,939,694	2,668,041
Net income					60,532,717	
Cash dividends:						
—Common Stock . . .					(34,650,534)	
—Preferred Series A					(283,650)	
—Preferred Series B					(536,063)	
—Acquired Company					(254,481)	
Stock issued for acquisitions		\$2,828,513	144,975	15,319,175		
Treasury Stock issued for exercised stock options				(17,383)		(94,727)
Balance, December 31, 1971	\$1,772,812	\$2,828,513	\$109,436,123	\$190,490,586	\$394,747,683	\$ 2,573,314

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

BORDEN, INC.

Assets

	December 31	1971	1970
Current Assets			
Cash (including time deposits)		\$ 99,148,422	\$ 85,864,782
U. S. Government and other marketable securities (at cost which approximates market)		44,389,151	31,191,665
Receivables (less allowance for doubtful accounts—\$4,267,513 in 1971 and \$4,454,669 in 1970)		206,926,814	201,020,546
Inventories (at lower of cost or market)			
Finished and in-process goods		180,916,058	185,119,334
Raw materials and supplies		79,730,614	69,062,047
Total Current Assets		<u>611,111,059</u>	<u>572,258,374</u>
Investments and Other Assets			
Investments in and advances to affiliated companies (at cost plus equity in undistributed income)		19,503,766	16,856,454
Miscellaneous investments and receivables (at cost or less)		29,145,201	41,946,399
Deferred charges		13,015,971	13,243,587
		<u>61,664,938</u>	<u>72,046,440</u>
Property and Equipment (at cost)			
Land		41,334,868	33,126,854
Buildings		211,362,211	199,324,927
Machinery and equipment		520,503,748	497,407,788
		<u>773,200,827</u>	<u>729,859,569</u>
Less—Accumulated Depreciation		<u>(320,019,592)</u>	<u>(295,360,982)</u>
		<u>453,181,235</u>	<u>434,498,587</u>
Intangibles resulting from business acquisitions			
(principally at cost at dates of acquisition)		132,020,366	116,944,585
		<u>\$1,257,977,598</u>	<u>\$1,195,747,986</u>

See accompanying Notes to Consolidated Financial Statements

Liabilities and Shareholders' Equity

	December 31	1971	1970
Current Liabilities			
Payables		\$ 170,909,479	\$ 163,098,280
Accrued taxes and other liabilities		61,323,961	69,200,718
Current maturities of long-term debt (less debentures repurchased)		18,089,289	13,735,548
Total Current Liabilities		<u>250,322,729</u>	<u>246,034,546</u>
Long-Term Debt		<u>239,087,376</u>	<u>219,136,377</u>
Deferred Federal Income Taxes		<u>37,377,171</u>	<u>30,712,588</u>
Facilities Realignment and Relocation Reserves		<u>13,918,930</u>	<u>27,115,041</u>
Foreign Operations and Other Reserves		<u>10,189,734</u>	<u>9,424,899</u>
Minority Interests in Consolidated Subsidiaries		<u>10,379,255</u>	<u>9,800,128</u>
Shareholders' Equity			
Capital Stock—			
Preferred stock—no par value			
Authorized 10,000,000 shares			
Issued Series A Convertible—472,750 shares (involuntary liquidating value of \$9,455,000 or \$20.00 per share)		1,772,812	1,772,812
Issued Series B Convertible—685,700 shares (involuntary liquidating value of \$19,803,016 or \$28.88 per share)		2,828,513	
Common stock—\$3.75 par value			
Authorized 60,000,000 shares			
Issued 29,182,966 shares in 1971; 29,144,306 shares in 1970		109,436,123	109,291,148
Paid-in Capital		<u>190,490,586</u>	<u>175,188,794</u>
Retained Earnings		<u>394,747,683</u>	<u>369,939,694</u>
		699,275,717	656,192,448
Less Common Stock in Treasury (at cost)—92,471 shares in 1971; 96,006 shares in 1970		<u>(2,573,314)</u>	<u>(2,668,041)</u>
Total Shareholders' Equity		<u>696,702,403</u>	<u>653,524,407</u>
		<u>\$1,257,977,598</u>	<u>\$1,195,747,986</u>

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

BORDEN, INC.

	Year ended December 31	1971	1970
CASH AND MARKETABLE SECURITIES			
End of year		\$143,537,573	\$117,056,447
Beginning of year		117,056,447	97,772,864
Net Increase in Cash and Marketable Securities		<u>\$ 26,481,126</u>	<u>\$ 19,283,583</u>
FINANCIAL RESOURCES PROVIDED			
Operations:			
Net income		\$ 60,532,717	\$ 53,680,508
Depreciation, depletion and amortization		42,392,728	38,724,767
Deferred income taxes		3,950,449	1,672,706
Total Provided from Operations		106,875,894	94,077,981
Facilities realignment and relocation programs		12,209,430	22,334,943
Normal property disposals, net of accumulated depreciation*		2,607,776	1,875,133
Market value of stock issued for purchases of businesses		18,165,468	6,830,344
Proceeds from debt financing		37,293,000	
Total Resources Provided		<u>177,151,568</u>	<u>125,118,401</u>
RESOURCES APPLIED			
Cash dividends—Common		34,650,534	34,263,652
Preferred		819,713	
Acquired companies		254,481	746,728
Increase (decrease) in working capital other than cash and marketable securities*		4,616,376	(12,904,012)
Reduction in long-term debt		17,342,001	6,457,874
Capital expenditures		57,986,932	60,332,360
Purchases of businesses, net of working capital acquired		33,328,604	7,525,850
Common stock purchased for Treasury			2,291,059
Other		1,671,801	7,121,307
Total Resources Applied		<u>150,670,442</u>	<u>105,834,818</u>
Net Increase in Cash and Marketable Securities		<u>\$ 26,481,126</u>	<u>\$ 19,283,583</u>

*Excludes changes attributable to the facilities realignment and relocation programs.

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Borden, Inc. and its significant subsidiaries.

After translation into equivalent United States Dollars, subsidiaries outside the United States contributed the following amounts to the consolidated financial statements.

	1971	1970
Net sales	\$251,882,000	\$210,609,000
Company's equity in:		
Net income	10,622,000	10,424,000
Net assets	77,754,000	74,076,000

The assets, liabilities and results of operations of subsidiaries outside the United States have been translated at year end or historical exchange rates as appropriate. Unrealized and realized exchange adjustments arising in translation had only a minimal effect on net income for 1971 and 1970.

The Company's change in equity in undistributed earnings of affiliated companies (20-50% owned) is included in other income and amounted to \$2,253,000 in 1971 and \$1,678,000 in 1970. Minority interests in income of consolidated subsidiaries of \$1,042,000 and \$1,493,000 in 1971 and 1970, respectively, have been included in other expense.

(2) COMPANIES ACQUIRED:

During the year the Company issued 350,000 shares of common stock in exchange for the outstanding common stock of a company acquired in a transaction accounted for as a pooling of interests. Accordingly, the accompanying financial statements have been restated to reflect this combination which did not significantly affect the financial position or results of operations for any year.

In addition, companies acquired in 1971 in transactions treated as purchases, principally North American Sugar Industries Incorporated acquired as of January 1, have been included from the effective dates of the acquisitions. The sales and net income from these acquisitions for 1971 and 1970 (Pro-forma basis) follow:

	1971	1970
Net sales	\$140,981,000	\$134,458,000
Net income . . .	4,103,000	3,570,000
Earnings per share	\$.09	\$.07

(3) INTANGIBLES: Intangibles represent the excess cost of investments over net tangible assets of businesses acquired. It is the Company's policy to carry intangibles arising prior to November 1, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited.

Opinion No. 17 of the Accounting Principles Board issued in 1970 requires mandatory amortization of intangibles arising after

October 31, 1970. Amortization of such intangibles is being recorded over a 40 year period and amounted to \$207,000 in 1971.

(4) LONG-TERM DEBT AND LEASE OBLIGATIONS: Long-term debt outstanding at December 31, 1971 is as follows (dollars in thousands):

	Long-Term	Due Within One Year
Sinking Fund Debentures		
2½%, due 1981	\$ 35,000	
7¾%, due 1984	1,275	\$ 75
4¾%, due 1991	38,000	2,000
5¾%, due 1997	75,000	
Debentures repurchased	(2,102)	(2,000)
Promissory notes		
6½%, due 1972		3,653
5¼%, due 1974	5,500	600
5¾%, due 1981	6,900	800
8¼%, due 1985	6,933	
7¾%, due 1986	4,888	
Other borrowings	9,055	1,308
6¾% Convertible Debentures due 1991	30,000	
Principal amount of capitalized leases	28,638	11,653
	<u>\$239,087</u>	<u>\$18,089</u>

The 6¾% Convertible Debentures (a Eurodollar obligation) issued in 1971 are convertible from April 15, 1972 into Common Shares of Borden, Inc. at \$28¾ a share and after July 15, 1974 are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the original amount plus annually decreasing premiums to 1986.

Certain plant and equipment for which the Company has entered into lease arrangements is accounted for as purchased equipment. Repayments of such leases are enumerated below under "Capitalized Leases."

Certain properties (exclusive of capitalized leases) used in the Company's operations are leased under arrangements which provide for minimum annual rentals as listed under "Rentals" in the following table.

Aggregate maturities of long-term debt, principal payments on capitalized leases and minimum rentals on other properties leased are as follows (dollars in thousands):

Year	Long-Term Debt**	Capitalized Leases	Rentals
1972	\$ 6,436	\$11,653	\$17,376
1973	5,460	11,375	15,340
1974	9,478	9,775	12,833
1975	5,193	5,005	10,232
1976	4,922	2,253	8,197
1977-1981*	61,550	230	19,839
1982-1986*	42,329		6,863
1987-1991*	59,004		2,330
1992 and beyond*	22,513		403

* Figures represent combined totals for all years

** Net of Debentures repurchased

(5) FEDERAL INCOME TAXES: United States and foreign income tax expense in the accompanying Consolidated Statements of Income includes \$12,064,000 and \$12,004,000 for deferred taxes in 1971 and 1970, respectively.

The principal differences in income for financial statement and for income tax purposes result from: (a) Realization of tax reductions associated with the facilities realignment program (which was recognized for financial reporting purposes in 1969) and (b) Additional deductions available through the use of accelerated methods of depreciation for tax purposes.

Investment tax credits amounting to \$1,000,000 in 1971 and \$400,000 in 1970 have been applied in the accompanying financial statements as reductions in income tax expense.

United States income taxes are provided on dividends received from foreign subsidiaries. United States income taxes have not been provided on undistributed earnings of foreign subsidiaries inasmuch as the Company presently has no intention to repatriate any significant amount of such funds.

(6) SHAREHOLDERS' EQUITY:

At the annual shareholders meeting held on April 21, 1971 the number of authorized shares of Preferred Stock was increased to 10,000,000 shares.

The 472,750 shares of Preferred Stock—Series A, issued in 1970, are entitled to receive annually until January 14, 1976, cumulative dividends per share of one-half the per-share Common Stock dividend or \$.60, whichever is greater. Thereafter the dividend will be determined by the Board of Directors, but in no event will be less than \$.60 per share.

The Series A Preferred Stock is convertible into an equal number of Common shares as follows:

Period of Convertibility	Shares
Dec. 15, 1973-Jan. 14, 1974	157,583
Dec. 15, 1974-Jan. 14, 1975	157,583
Dec. 15, 1975-Jan. 14, 1976	157,584

Shares not converted into Common Stock during the above periods may be called by the Company after January 14, 1976 and an equal number of Common shares issued therefor.

The 685,700 shares of Preferred Stock—Series B, issued in 1971 bear an annual cumulative dividend of \$1.32 and will be convertible into 1.1 shares of the Company's Common Stock after April 29, 1972.

As of January 1, 1971, 328,671 shares of Common Stock of the Company were reserved for unexercised stock options at prices ranging from \$15.82 to \$39.38 per share. During 1971, options for 54,317 shares expired or were cancelled; options for 3,500 shares were exercised, leaving 270,854 shares reserved for unexercised options at prices ranging from \$15.82 to \$36.82 per share as of December 31, 1971. At December 31, 1971, 197,000 shares were available for future grants.

At December 31, 1971, 1,227,020 shares were reserved for conversion of Preferred Stock—Series A and B. In addition, 1,043,479 shares were reserved for issuance upon conversion of the 6¾ % Convertible Debentures discussed in Note (4) and 5,227 shares pursuant to our Management Incentive Plan.

(7) DEPRECIATION, DEPLETION AND AMORTIZATION: Depreciation, depletion and amortization of property and equipment charged to operations amounted to \$42,393,000 in 1971 and \$38,725,000 in 1970. In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets in equal annual installments. Average depreciation rates in 1971 were 4% for buildings and 7% for machinery, equipment, etc.

(8) RETIREMENT PLANS: The charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, were \$4,819,000 in 1971 and \$4,644,000 in 1970 (including amortization of prior service costs over a 30-year period). The Company's policy is to fund amounts equal to pension costs accrued. The actuarially computed value of vested benefits under the plans as of April 1, 1971 exceeded the total pension funds and balance sheet accruals by approximately \$8,203,000. Operations were charged approximately \$3,231,000 in 1971 and \$3,072,000 in 1970, consisting of payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and of

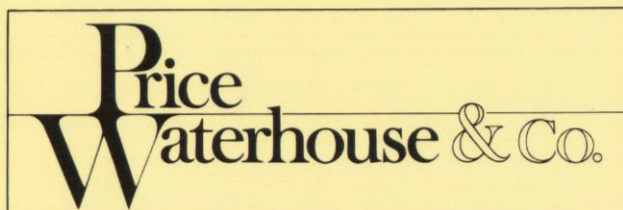
retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

(9) CONTINGENCIES: The company was guarantor of loans aggregating approximately \$23,000,000 at December 31, 1971.

(10) EARNINGS PER SHARE: Earnings per share amounts shown on the accompanying Consolidated Statements of Income have been computed based on the weighted average number of shares of Common Stock and Equivalents (Series A and B Convertible Preferred Stock and Stock Options) outstanding during the respective years, after giving full retroactive effect to the shares issued in poolings of interests.

The average number of Common Shares and Equivalents outstanding consisted of:

	1971	1970
Common shares	29,077,431	28,878,844
Convertible preferred:		
Series A	472,750	472,750
Series B	754,270	
Total	<u>30,304,451</u>	<u>29,351,594</u>



SIXTY BROAD STREET, NEW YORK, NEW YORK 10004 212-422-6000

February 29, 1972

Board of Directors and Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc., and its subsidiaries at December 31, 1971 and 1970, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

SIX-YEAR FINANCIAL SUMMARY

BORDEN, INC.

SALES, INCOME and DIVIDENDS

Net Sales	
Income before Extraordinary Items	
Net Income	
Percent of Income before Extraordinary Items to Sales	
Percent of Net Income to Sales	
Per Share of Common Stock and Equivalent:	
Income before Extraordinary Items	
Net Income	
Dividends Declared per—Common Share	
Preferred Series A Share ..	
Preferred Series B Share ..	
Income Available for Common Shareholders—	
Net Income	
Less Dividend Requirements on Preferred Stock	
Average Number of Common Shares Outstanding	
Income Available per Common Share	

FINANCIAL STATISTICS

Capital Expenditures	
Depreciation, Depletion and Amortization	
Current Assets	
Current Liabilities	
Working Capital	
Current Ratio	
Long-term Debt	
Debt-to-Equity Percent	
Shareholders' Equity	
Liquidating Value of Preferred Stock	
Common Shareholders' Equity	
Equity per Common Share at Year End	

SHAREHOLDERS' DATA

Average Number of Common Shares and Equivalents Outstanding	
Outstanding Shares at Year End—Common	
Preferred Series A	
Preferred Series B	
Market Price of Common Stock:	
At Year End	
Range of Year	
Number of Common Shareholders	

EMPLOYEES' DATA

Payrolls	
Average Number of Employees	

(All dollar and share figures in thousands—except market price and per share statistics)

1971	1970	1969	1968	1967	1966
\$2,069,667	\$1,832,202	\$1,896,595	\$1,830,474	\$1,748,709	\$1,707,034
\$ 60,533	\$ 53,681	\$ 50,754	\$ 49,147	\$ 58,779	\$ 61,149
\$ 60,533	\$ 53,681	\$ 28,304	\$ 46,375	\$ 58,779	\$ 61,149
2.9%	2.9%	2.7%	2.7%	3.4%	3.6%
2.9%	2.9%	1.5%	2.5%	3.4%	3.6%
\$2.00	\$1.83	\$1.73	\$1.68	\$2.01	\$2.14
\$2.00	\$1.83	\$.96	\$1.58	\$2.01	\$2.14
\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20
.60					
.78					
\$ 60,533	\$ 53,681	\$ 28,304	\$ 46,375	\$ 58,779	\$ 61,149
(1,189)	(284)	(284)	(284)	(284)	(284)
\$ 59,344	\$ 53,397	\$ 28,020	\$ 46,091	\$ 58,495	\$ 60,865
29,077	28,879	28,854	28,856	28,711	28,065
\$2.04	\$1.85	\$.97	\$1.60	\$2.04	\$2.17
\$ 57,987	\$ 60,332	\$ 57,689	\$ 55,256	\$ 67,570	\$ 94,158
\$ 42,393	\$ 38,725	\$ 40,196	\$ 37,172	\$ 36,074	\$ 31,797
\$ 611,111	\$ 572,258	\$ 542,957	\$ 506,077	\$ 514,622	\$ 432,111
\$ 250,323	\$ 246,034	\$ 208,836	\$ 171,978	\$ 171,767	\$ 177,548
\$ 360,788	\$ 326,224	\$ 334,121	\$ 334,099	\$ 342,855	\$ 254,563
2.4:1	2.3:1	2.6:1	2.9:1	3.0:1	2.4:1
\$ 239,087	\$ 219,136	\$ 225,594	\$ 240,119	\$ 253,432	\$ 169,257
34%	34%	36%	38%	41%	28%
\$ 696,702	\$ 653,524	\$ 630,315	\$ 638,003	\$ 625,660	\$ 596,467
(29,258)	(9,455)	(9,455)	(9,455)	(9,455)	(9,455)
\$ 667,444	\$ 644,069	\$ 620,860	\$ 628,548	\$ 616,205	\$ 587,012
\$22.94	\$22.17	\$21.55	\$21.79	\$21.32	\$20.53
30,304	29,352	29,327	29,329	29,184	28,538
29,090	29,048	28,809	28,851	28,897	28,590
473	473	473	473	473	473
686					
\$28	\$27	\$23	\$34	\$35	\$31
\$24-30	\$17-27	\$22-35	\$28-38	\$30-42	\$28-41
70,916	71,886	70,997	71,424	74,508	70,856
\$ 357,000	\$ 333,700	\$ 339,800	\$ 322,800	\$ 303,100	\$ 290,600
48,000	45,900	48,300	48,900	47,700	47,900



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